

WILLIAM  
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COMMISSIONER

MARC SPITZER  
COMMISSIONER



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EXECUTIVE SECRETARY

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ARIZONA CORPORATION COMMISSION

MEMORANDUM

**TO:** Chairman William A. Mundell  
Commissioner Jim Irvin  
Commissioner Marc Spitzer  
**FROM:** Mark Sendrow *MS*  
Director of Securities  
**DATE:** April 10, 2002  
**RE:** Proposed Order To Cease And Desist, Order Of Revocation, Order For  
Administrative Penalties And Consent To Same, Re: Michelle L. Webb; Docket  
No. S-03408A-01-0000  
**CC:** Brian C. McNeil, Executive Secretary

**DOCKETED** 4/25/02  
APR 11 2002  
DOCKETED BY *ms*

**OPEN MEETING ITEM**

RECEIVED  
2002 APR 11 P 3:32  
ARIZONA CORPORATION COMMISSION  
DOCUMENTATION

Attached is a proposed Order to Cease And Desist, Order Of Revocation, Order For Administrative Penalties And Consent To Same for Michelle L. Webb ("Webb"). Pursuant to this Order, Webb shall permanently cease and desist from violating the Securities Act of Arizona, and shall pay an administrative penalty of \$45,000. This administrative penalty represents disgorgement of the commissions Webb received.

As part of this Order, Webb consents to the revocation of her Arizona securities salesperson registration and she consents to never apply for registration as a securities dealer or salesperson or licensure as an investment adviser or investment adviser representative in Arizona. Webb has not been associated with any securities dealer since June 2000. Webb's registration to sell securities in Arizona expired on December 31, 2000.

While Webb was with The Chamber Group and later with Webb Financial Group, a.k.a. Michelle Webb Financial Group, her sole proprietorship, she offered and sold brokered certificate of deposits ("CD's"), from July 1998 to November 1999, and tax lien certificates and real estate opportunity properties, from August 1998 to December 1999. The CD's, tax lien certificates and real estate opportunity properties were securities that were neither registered nor exempt from registration. Webb made material misstatements and omissions in the offer and sale of these unregistered securities. The tax lien certificates and real estate opportunity properties were marketed by TLC America, Inc. ("TLC"). In November 2000, a Receiver was

appointed over the assets of TLC and its affiliates. To date, the Receiver for TLC has made three disbursements to investors and plans on making future disbursements.

From July 1999 to October 1999, Webb offered and sold viatical contracts. During this time period, Webb was working as a sole proprietor, Webb Financial Group, a.k.a. Michelle Webb Financial Group. Webb made material misstatements and omissions during the offer and sale of viaticals. The viatical contracts were marketed and sold through Trade Partners, Inc., a Michigan corporation. These viatical contracts were unregistered securities in Arizona.

The Division recommends approval of the attached Order. With approval of this Order, Webb will be ordered to cease and desist from further violations of the Securities Act of Arizona, her registration as a securities salesperson will be revoked, and she will never be able to register as a securities dealer or salesperson or become licensed as an investment adviser or investment adviser representative in Arizona. In addition, Webb will be required to disgorge commissions she received by paying an administrative penalty in the amount of \$45,000.

Originator: Anthony Bingham

A.G. Assigned: Moira McCarthy

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 WILLIAM A. MUNDELL

3 Chairman

4 JIM IRVIN

Commissioner

5 MARC SPITZER

Commissioner

6 In the matter of )

) DOCKET NO. S-03408A-01-0000

7 MICHELLE L. WEBB )

d.b.a. Webb Financial Group )

8 a.k.a. Michelle Webb Financial Group )

) DECISION NO. \_\_\_\_\_

1511 East Gaffney )

9 New River, Arizona 85087 )

CRD # 2565381, )

Respondent. )

) **ORDER TO CEASE AND DESIST, ORDER  
OF REVOCATION, ORDER FOR  
ADMINISTRATIVE PENALTIES AND  
CONSENT TO SAME**

12  
13 MICHELLE L. WEBB ("WEBB") elects to permanently waive any right to a hearing  
14 and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.*  
15 ("Securities Act") with respect to this Order To Cease And Desist, Order Of Revocation, Order For  
16 Administrative Penalties and Consent To Same ("Order"). WEBB admits the jurisdiction of the  
17 Arizona Corporation Commission ("Commission"); admits only for purposes of this proceeding  
18 and any other administrative proceeding before the Commission or any other agency of the State of  
19 Arizona, and not for purposes of any civil proceeding, the Findings of Fact and Conclusions of  
20 Law contained in this Order; and consents to the entry of this Order by the Commission.

21 **I.**

22 **FINDINGS OF FACT**

23 1. WEBB conducted securities business under the name Webb Financial Group and  
24 subsequently under the name Michelle Webb Financial Group, both sole proprietorships, from on  
25 or about June 1, 1999, to June 15, 2000. Her office was located in Prescott, Arizona. WEBB and  
26 ...

1 her sole proprietorships will be collectively referred to as "WEBB." WEBB'S last known address  
2 is 1511 East Gaffney, New River, Arizona, 85087.

3 2. From on or about April 1, 1998, to May 31, 1999, WEBB worked at The Chamber  
4 Group, Inc. in Prescott, Arizona. The Commission has entered an Order To Cease and Desist  
5 against The Chamber Group and its principals for violations of the Securities Act and for  
6 restitution. That order finds that those respondents sold unregistered securities in the form of  
7 brokered certificates of deposit ("CD's"), viatical contracts, and tax lien certificates, and that their  
8 conduct with respect to the sale of these securities constituted securities fraud.

9 **A. Brokered Certificates of Deposit**

10 3. From on or about July 14, 1998, to November 4, 1999, WEBB offered and sold CD's  
11 within or from Arizona to at least 100 investors. These CD's were fractionalized meaning that  
12 investors purchased a fraction of a jumbo certificate of deposit issued by a bank. WEBB'S  
13 customers invested approximately \$5,031,000 in these CD's. These CD's were brokered and sold  
14 through San Clemente Securities, Inc. ("SCS"), formerly a securities dealer located in California.  
15 The National Association of Securities Dealers, Inc. took action against SCS and its principals  
16 regarding material misstatements and omissions involved in the offer and sale of CD's. These  
17 CD's were securities that were neither registered nor exempt from registration in Arizona.

18 4. WEBB promoted these CD's to investors as being one-year CD's with guaranteed  
19 safety of principal. WEBB failed to disclose to most investors that the maturity date of the CD's  
20 ranged from 15 to 20 years.

21 5. WEBB told investors that these CD's could be liquidated after being held for at least  
22 one year without loss of principal and without early withdrawal penalties. However, investors did  
23 incur loss of principal and early withdrawal penalties when they liquidated their CD's after holding  
24 them for at least one year. WEBB failed to disclose to investors that SCS created and controlled  
25 the secondary market in which SCS' CD's were sold upon liquidation.

26 ...

1           6. WEBB failed to disclose to investors that sales commissions and custodial fees were  
2 deducted "up front" from the investor's principal, thus reducing the amount of principal actually  
3 invested. WEBB also failed to disclose to investors the dollar amount of these sales commissions  
4 and custodial fees.

5           **B. Tax Lien Certificates And Real Estate Opportunity Properties**

6           7. From on or about August 26, 1998, to December 7, 1999, WEBB offered and sold  
7 investments in a Tax Lien Certificate program and investments in a Real Estate Opportunity  
8 Properties program within or from Arizona to at least 12 investors. WEBB'S customers invested  
9 approximately \$587,000 in these two investment programs. These programs were marketed by  
10 TLC America, Inc. ("TLC"), a California corporation. These investment programs were securities  
11 that were neither registered nor exempt from registration in Arizona.

12           8. TLC was a company that invested in tax lien certificates, tax deeds, and real property  
13 throughout the United States. WEBB and TLC promoted these investment programs as safe, liquid,  
14 fixed-rate investments. WEBB promised investors guaranteed principal and a guaranteed fixed rate of  
15 return typically ranging from 10% to 14%. In fact, principal and interest were not guaranteed.

16           9. On October 5, 2000, the Securities and Exchange Commission obtained a temporary  
17 restraining order and asset freeze against TLC, entities affiliated with TLC, and some of the principals  
18 of TLC. On that same date, a Temporary Receiver was appointed over the assets of the company and  
19 its affiliates. On November 1, 2000, a preliminary injunction was issued making permanent the  
20 appointment of the Receiver. To date, the TLC Receiver has made three distributions to investors and  
21 expects to ultimately return approximately 50% of investors' principal.

22           10. TLC and its investment programs were a Ponzi scheme according to the opinion of the  
23 Receiver. In addition, some of the money TLC received from investors was not used for the purpose  
24 it was invested. Part of investors' money was spent to invest in a prime bank scheme, buy racehorses,  
25 make charitable donations, and for other misappropriations.

26           ...

11. WEBB failed to disclose to investors risks associated with investments in the Tax Lien Certificate and Real Estate Opportunity Properties programs such as the risk that TLC may not correctly evaluate investment opportunities and the effect of changing economic factors such as interest rates. WEBB failed to disclose to investors commissions paid to her and commissions and fees paid to TLC.

### C. Viatical Contracts

12. From on or about July 9, 1999, to October 14, 1999, WEBB offered and sold viatical contracts within or from Arizona to at least eight investors. WEBB'S customers invested approximately \$233,000 in viatical contracts. These viatical contracts were sold through Trade Partners, Inc. ("TPI"), a Michigan corporation. These viatical contracts were securities that were neither registered nor exempt from registration in Arizona.

13. WEBB advertised these viatical contracts as safe, high-yield investments with guaranteed principal and interest. In fact, the return of principal and interest on these viatical contracts was not guaranteed.

14. WEBB failed to disclose to investors: that they had no access to or opportunity to review the medical records or insurance policies of viators; that investors' annualized return could be significantly reduced if TPI, its affiliate, or independent contractor failed to properly evaluate the viator's health and insurance policy; and, that the insurer could become insolvent before the death benefit is paid and the investor could lose all or a portion of his or her investment funds.

## II.

### CONCLUSIONS OF LAW

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

2. WEBB offered or sold securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

...

1           3. WEBB violated A.R.S. § 44-1841 by offering or selling securities that were neither  
2 registered nor exempt from registration.

3           4. WEBB violated A.R.S. § 44-1991 by (a) making untrue statements of material fact or  
4 omitting to state material facts which were necessary in order to make the statements made not  
5 misleading in light of the circumstances under which they were made; or (b) engaging in  
6 transactions, practices or courses of business which operates or would operate as a fraud or deceit.

7           5. WEBB'S conduct subjects WEBB to an order of revocation pursuant to A.R.S. § 44-  
8 1962(A)(2) and (9).

9           6. WEBB'S conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.

10          7. WEBB'S conduct is grounds for administrative penalties under A.R.S. § 44-2036.

11                               **III.**

12                               **ORDER**

13          THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and WEBB'S  
14 consent to the entry of this Order, the Commission finds that the following relief is appropriate, in  
15 the public interest, and necessary for the protection of investors:

16          IT IS ORDERED, pursuant to A.R.S. § 44-2032, that WEBB, and any of WEBB'S agents,  
17 employees, successors and assigns, permanently cease and desist from violating the Securities Act.

18          IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that WEBB shall pay an  
19 administrative penalty in the amount of \$45,000. Payment shall be made by cashier's checks or  
20 money orders payable to the "State of Arizona" in installments as follows: \$5,000 on the date of  
21 this Order; \$400 per month on or before the 15th day of each month beginning on May 15, 2002.  
22 The outstanding balance shall accrue interest at the rate of 10% per annum from the date of this  
23 Order until paid in full.

24          If WEBB does not comply with this order for administrative penalties, she will be deemed  
25 in default and any outstanding balance shall be immediately due and payable.

26          ...

1 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-1962, that WEBB'S securities  
2 salesperson registration is revoked.

3 IT IS FURTHER ORDERED that this Order shall become effective immediately.

4 BY ORDER OF THE ARIZONA CORPORATION COMMISSION  
5  
6

7 CHAIRMAN

COMMISSIONER

COMMISSIONER

8 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,  
9 Executive Secretary of the Arizona Corporation  
10 Commission, have hereunto set my hand and caused the  
11 official seal of the Commission to be affixed at the  
12 Capitol, in the City of Phoenix, this \_\_\_\_\_ day of  
13 \_\_\_\_\_, 2002.

14 \_\_\_\_\_  
BRIAN C. McNEIL  
Executive Secretary

15  
16 \_\_\_\_\_  
DISSENT

17  
18 This document is available in alternative formats by contacting Shelly M. Hood, Executive  
19 Assistant to the Executive Secretary, voice phone number 602-542-3931, E-mail  
20 [shood@cc.state.az.us](mailto:shood@cc.state.az.us).

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**CONSENT TO ENTRY OF ORDER**

1  
2 1. WEBB, an individual, admits the jurisdiction of the Commission over the subject  
3 matter of this proceeding. WEBB acknowledges that she has been fully advised of her right to a  
4 hearing to present evidence and call witnesses and WEBB knowingly and voluntarily waives any  
5 and all rights to a hearing before the Commission and all other rights otherwise available under  
6 Article 11 of the Securities Act and Title 14 of the Arizona Administrative Code. WEBB  
7 acknowledges that this Order To Cease And Desist, Order Of Revocation, Order For  
8 Administrative Penalties And Consent To Same ("Order") constitutes a valid final order of the  
9 Commission.

10 2. WEBB knowingly and voluntarily waives any right under Article 12 of the Securities  
11 Act to judicial review by any court by way of suit, appeal, or extraordinary relief resulting from the  
12 entry of this Order.

13 3. WEBB acknowledges and agrees that this Order is entered into freely and voluntarily  
14 and that no promise was made or coercion used to induce such entry.

15 4. WEBB acknowledges that she has chosen not to be represented by counsel at the  
16 current time, even though she was previously represented by counsel in this matter. WEBB also  
17 acknowledges that she has reviewed this Order on her own and understands all the terms it  
18 contains.

19 5. WEBB admits, only for purposes of this proceeding and any other administrative  
20 proceeding before the Commission or any other agency of the state of Arizona, and not for  
21 purposes of any civil proceeding, the Findings of Fact and Conclusions of Law contained in this  
22 Order.

23 6. By consenting to the entry of this Order, WEBB agrees not to take any action or to  
24 make, or permit to be made, any public statement denying, directly or indirectly, any Finding of  
25 Fact or Conclusion of Law in this Order or creating the impression that this Order is without  
26 ...

1 factual basis. WEBB will undertake steps necessary to assure that all of her agents and employees  
2 understand and comply with this agreement.

3 7. While this Order settles this administrative matter between WEBB and the  
4 Commission, WEBB understands that this Order does not preclude the Commission from  
5 instituting other administrative proceedings based on violations that are not addressed by this  
6 Order.

7 8. WEBB understands that this Order does not preclude the Commission from referring  
8 this matter to any governmental agency for administrative, civil, or criminal proceedings that may  
9 be related to the matters addressed by this Order.

10 9. WEBB understands that this Order does not preclude any other agency or officer of the  
11 state of Arizona or its subdivisions from instituting administrative, civil or criminal proceedings  
12 that may be related to matters addressed by this Order.

13 10. WEBB agrees that she will not apply to the state of Arizona for registration as a  
14 securities dealer or salesman or for licensure as an investment adviser or investment adviser  
15 representative at any time in the future.

16 11. WEBB agrees that she will not exercise any control over any entity that offers or sells  
17 securities or provides investment advisory services, within or from Arizona.

18 12. WEBB agrees that until penalties are paid in full, WEBB will notify the Director of the  
19 Securities Division within 30 days of any change in home address or any change in WEBB'S  
20 ability to pay amounts due under this Order.

21 13. WEBB understands that default shall render her liable to the Commission for its costs  
22 of collection and interest at the maximum legal rate.

23 14. WEBB agrees that she will continue to cooperate with the Securities Division  
24 including, but not limited to, providing complete and accurate testimony at any hearing in this  
25 matter and cooperating with the state of Arizona in any related investigation or any other matters  
26 arising from the activities described in this Order.


1 15. WEBB consents to the entry of this Order and agrees to be fully bound by its terms and  
2 conditions. If WEBB breaches any provision of this Order, the Commission may vacate this Order  
3 and restore this case to its active docket.

4   
5 MICHELLE L. WEBB

6 SUBSCRIBED AND SWORN TO BEFORE me this 28<sup>th</sup> day of March, 2002.

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9 NOTARY PUBLIC

10 My Commission Expires:  
11 \_\_\_\_\_

 Notary Public State of Arizona  
Maricopa County  
Lisa Busse  
Expires October 30, 2004

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